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ARIZONA CORPORATION COMMISSION
OFFICE OF COMMISSIONER LEA MÁRQUEZ PETERSON

July 16, 2020

RE: In the matter of the application of Arizona Public Service Company for a hearing to determine the fair value of the utility property of the company for ratemaking purposes, to fix a just and reasonable rate of return thereon, to approve rate schedules designed to develop such return (Docket No. E-01345A-19-0236)

Dear Chairman, Commissioners, and All Interested Parties,

While I think we can all agree that the outcome of the last rate case¹ was not what the Commission had intended and that we'd like to obtain a resolution to the outstanding issues as expeditiously as possible, chief legal counsel for the Commission has stated² that the only way the Commission can address issues related to the last rate case is to address them in the above captioned matter (the "Pending Rate Case"). After being reminded during the Commission's last Special Open Meeting on June 18, 2020, that pursuing the Pending Rate Case was ultimately the direction the Commission decided to go in June 2019,³ chief legal counsel further advised⁴ that members of the Commission should file letters in the docket, indicating the issues that they would like the parties to address.

Letters submitted by Chairman Burns and Commissioner Dunn on various dates may be examples of such letters. Chairman Burns has asked parties to develop a record regarding the incentivization of at-home battery storage systems paired with rooftop solar,⁵ and Commissioner Dunn has asked the parties to develop a record regarding the issue of performance-based regulation ("PBR") to "align the interests of customers with the interests of the Company's bottom line."⁶ I'm not aware of other requests that commissioners have made, but other commissioners may have made additional requests since June 2019.

Accordingly, while I do not believe docketing letters provides immediate relief for customers with respect to the issues the Commission has been trying to address over the last several Open Meetings, I am writing to indicate that I will be issuing several letters of my own over the coming weeks, stating the issues that I would like to see addressed in the Pending Rate Case. Some of the requests may be brief (such as regarding the issue of 24/7 "live" customer service and the issue of utilizing J.D. Power results), while others may be substantial and require a significant amount of time and research commitments from the Commission's Utilities Division ("Staff") and other parties.

¹ See [2016 APS Rate Case](#), Docket No. E-01345A-16-0036, [Decision No. 76295](#) (Aug. 18, 2017).

² See Recommendations of Chief Legal Counsel Made During the June 18 Special Open Meeting, [Live Video Archive](#) (Jun. 18, 2020).

³ See [Rate Review and Audit of APS](#), Docket No. E-01345A-19-0003, [Decision No. 77270](#) (Jun. 27, 2019) (finding that the Commission directed Staff to conduct a rate review and audit of APS and APS's Customer Education and Outreach Program and that, as a result of the rate review and audit, "APS [should] be required to file a [new] rate case no later than October 31, 2019.").

⁴ See Recommendations of Chief Legal Counsel, *supra* note 2.

⁵ See [Correspondence from Chairman Bob Burns](#) (Jan. 9, 2020) and [Correspondence from Chairman Bob Burns](#) (Jan. 22, 2020). Chairman Burns has stated that interested parties may address his request in the context of a REST Implementation Plan, however, he had originally filed his request in the context of a rate case. I believe it would be appropriate to address his request within the context of the Pending Rate Case.

⁶ See [Correspondence from Commissioner Boyd Dunn](#) (Jun. 17, 2020).



Some of the issues that I will be asking the parties to address will include the following:

- Peak rates and demand charges, including the pros and cons of time-of-use (“TOU”) rates and their rate structures, clarifying how peak rates and demand charges can impact customer bills, customer choice, and the expansion of options that can allow customers who cannot take advantage of peak rates and demand charges to take control of their monthly bills;
- Issues related to the overall customer experience and relationship with APS, including renaming rate plans to explicitly inform, properly reflect, and intuitively signal to customers the key attributes and rate structures inherent to each plan,⁷ customer service with a focus on 24/7 “live” assistance, utilization of peer comparison surveys such as J.D. Power to compare APS’s performance against other utilities, and redesigned utility bills that make it easier for customers to read, access, and understand their monthly charges and daily energy usage and data;
- Surcharges, such as demand-side management (“DSM”) surcharges, renewable energy standard and tariff (“REST”) surcharges, and the lost fixed cost recovery mechanism (“LFCR”), as well as the treatment of DSM and REST investments on equal-footing with other utility assets;
- Purchased power and fuel adjustor mechanisms (“PPFA”), and the pass-through of lay-off revenues to the benefit of APS’s customers, such as to optimize economic capacity, improve the “used and usefulness” of APS’s assets, and prevent the overbuilding of excess capacity;
- “Bring Your Own Device” tariffs (“BYOD Tariff”) and incentives related to distributed energy resources (“DERs”) and DSM, community solar and storage, intra-CC&N energy trading and aggregation, distributed energy resource management (“DERM”), and network orchestration;
- Customer growth and retention programs and other efforts that drive value by focusing on attracting and retaining customers rather than the building of excess capacity; and
- Performance incentive mechanisms (“PIMs”), which are similar to but different than PBR.

I appreciate the public's patience while I prepare these requests and hope my fellow commissioners and Staff will join me as I continue to search for options that can provide more immediate and pragmatic relief to customers in the meantime.

Sincerely,

Lea Márquez Peterson
Commissioner



⁷ See [Rate Review and Audit of APS](#), Docket No. E-01345A-19-0003, [Evaluation of APS’s Customer Education Plan & Its Implementation by Barbara R. Alexander](#), pages 5, 27, and 32 (May 19, 2020).